REMARKS BY FAMARA L. JATTA, GOVERNOR, CENTRAL BANK OF THE GAMBIA AT THE 29TH ANNUAL GENERAL MEETING AND EDUCATION CONFERENCE ORGANISED BY THE WEST AFRICAN INSURANCE COMPANIES ASSOCIATION (WAICA) ON THE THEME ''THE CHALLENGES OF CHANGE IN THE INSURANCE INDUSTRY'' FROM 28TH TO 29TH MARCH 2007, BANJUL, THE GAMBIA.

Madam Chairperson, the President of the West African Insurance Companies Association (WAICA), Members of the WAICA Executive Committee, Your Excellencies, Distinguished guests, Ladies and Gentlemen:

I am indeed honoured to be invited to deliver the opening address at the 29th Annual General meeting of the West African Insurance Companies Association (WAICA) on the theme: "the challenges of change in the insurance industry". I hope all the guests had a pleasant trip to Banjul and for those visiting for the first time, I entreat you to take time out to explore the attributes that make The Gambia a famous tourists destination.

About 3 years ago, I was privileged to address a WAICA meeting in Banjul. I did recall highlighting the positive contributions of the West African Insurance Institute in capacity building and the benefits of introducing the ECOWAS Brown Card. I also spoke about efforts, through the West African Monetary Zone (WAMZ) initiative, to create a common central bank and a single currency. Expectations are that eventually an ECOWAS – wide single economic space will be created. Although the date for the establishment of the proposed West African Central Bank has been moved to 2009, our resolve is undiluted and unshakable.

Madam Chairperson, ladies and gentlemen, the economies of most countries in Sub-Saharan Africa continue to grow at a solid pace. Economic growth in the region averaged 5.0 percent from 2000 – 2005. In 2006, growth is estimated at 5.4 percent and increasing to a robust 5.9 percent in 2007. Inflationary pressures are expected to increase, albert slightly from 11.7 percent in 2006 to 12.6 percent in 2007. In the WAMZ countries, which comprised Nigeria, Ghana, Gambia, Sierra Leone and the Republic of Guinea, economic growth is estimated at 6.9 percent, higher than the average of 6.0 percent over the past 5 years. However, the achievement of the Millennium Development Goals, including significantly reducing poverty by 2015, would require scaling up the growth rate to 7 – 8 percent. This is attainable if we remain diligent in

the pursuit of building strong institutions and sound policies including: (i) Consolidating macroeconomic stability, a key requirement for sustained increases in private savings and investment; (ii) Strengthening the financial sector, by developing markets, improving supervision and regulation and opening the sector to domestic and foreign competition; (iii) Strengthening governance, transparency and accountability in the management of private resources (iv) Improving regulatory and judicial frameworks; and (v) Deepening initiatives for regional integration to take advantage of the opportunies presented by globalization.

Madam Chairperson, ladies and gentlemen, the role of the insurance industry in supporting economic growth and development need not be over-emphasised. In addition to providing basic services to individuals and corporate bodies, by way of risks transfer, the insurance industry should and must do more to mobilize and channel savings to the growth sectors of African economies. And to provide a wide array of services competitively, the industry must strengthen institutional capacity and raise standards, including corporate governance standards in order to build confidence, adopt state of the art technology, establish and implement voluntary codes of good practices for better self regulation and bearing in mind that oversight is primarily the responsibility of directors and senior management, and importantly explore market consolidation in order to reap the benefits of economies of scale.

Madam Chairperson, the theme of the meeting "the challenges of change in the insurance industry" is quite apt. Change and the associated challenges are permanent fixtures of business. Rather than despair, we should and must rise to the challenges. The alternative is stagnation and inevitably failure. And failure is not an option.

The insurance industry is saddled with many challenges. In an increasingly integrated world, international competition, consequent of rapid technological changes and market deregulation, is squeezing margins. To rise to this challenge, the industry must sharpen and improve underwriting, cut overheads and reduce claims leakage. Additionally, risk management should be improved particularly in the wake of recent financial setbacks, solvency pressures and governance scandals.

Commercial challenges also abound. According to Global Industry Statistics, Africa accounts for only 1.5 percent of the global insurance premium. It is, therefore, important to address the problem of low market penetration by strengthening customer relationships and developing tailored and targeted products and services in the face of more exacting customer demands and increased competition.

Another important challenge is regulatory in character. It relates primarily to overcoming the continuing uncertainty with respect to insurance reporting under the International Financial Reporting Standard (IFRS) and the introduction of solvency II. As you are aware, Solvency II will introduce an integrated risk approach for insurer solvency calculation. The details are being prepared under the auspices of the EU. Like Basel II, this requirement would sooner or latter become the industry standard and is bound to have a profound impact on how insurance policies are designed and priced. For example, non-life products with above-average loss volatility and long-term products may incur a higher capital charge.

Madam Chairperson, ladies and gentlemen, it need not be over-emphasised that Government also has an important responsibility in promoting the growth of the industry. General macroeconomic conditions have substantial impact on the insurance industry and the pace of its development. Low and stable inflation is possibly the most crucial prerequisite for effective and efficient resource mobilization and allocation through the financial sector in general and the insurance industry in particular.

In The Gambia, inflationary pressures decelerated significantly over the past 2 years and average inflation was only 1.4 percent in 2006. Growth in GDP was a robust 7.7 percent in 2006 and foreign exchange reserves are healthy. The Central Bank is unreservedly committed to the implementation of prudent monetary and financial policies to sustain macroeconomic stability and the high growth trajectory.

About 2 years ago, the Central Bank decided to raise the minimum regulatory capital to D15.0 million for insurance companies operating in The Gambia. This amount was deemed appropriate in the quest to strengthen and enhance the risk bearing capacity of the industry and at the same time ensuring that the minimum capital requirement would not lead to the demise of smaller companies and the resultant market concentration. This requirement shall come into force end-March 2007. Expectations are that well capitalized insurers will be equipped with the wherewithal to achieve exponential growth and to underwrite big ticket risks.

Madam Chairperson, let me conclude by emphasizing that the challenges that I have highlighted are not insurmountable. Infact, I implore you to not only manage these challenges but to turn them into opportunities. I would also like to seize this opportunity to urge you to invest in human capital on a continuous basis. It is generally agreed that human intellectual capital plays a pivotal role in driving performance and competitiveness. Thank you for organizing this important conference in The Gambia. I wish you successful deliberations and God Bless.